

**BEFORE THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2019-281-S**

IN RE:)
)
Application of Palmetto Utilities, Inc.)
for adjustment of rates and)
charges for, and the modification of)
certain terms and conditions related to,)
the provision of sewer service.)
_____)

AMENDED APPLICATION

Palmetto Utilities, Inc. (the “Applicant” or the “Company”), would respectfully show unto, and request of, the Commission as follows:

BACKGROUND

1. Applicant is a corporation organized and existing under the laws of the State of South Carolina.

2. Applicant is a public utility, as defined by S.C. Code Ann. § 58-5-10(4) (2015), providing sewer service to the public for compensation in certain areas of Richland and Kershaw Counties pursuant to rates set by the Commission in Order No. 2018-1555 issued March 7, 2018, in Docket No. 2017-228-S.

3. All communications or inquiries regarding this Application should be directed as set forth below:

a. **Applicant’s Representatives:**

Mr. Mark S. Daday, President and Chief Financial Officer
Mr. Bryan D. Stone, Chief Operating Officer

Palmetto Utilities, Inc.
 1710 Woodcreek Farms Road
 Elgin, South Carolina 29045

b. **Legal Counsel:**

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**REQUEST FOR RATE RELIEF AND MODIFICATIONS
 TO TERMS AND CONDITIONS OF SERVICE**

4. Pursuant to S.C. Code Ann. § 58-5-240 (2015) and S.C. Code Ann. Regs. 103-512.4.A and 103-503 (2012), Applicant requests that the Commission approve the rates, charges, conditions and terms of service set forth in the six page rate schedule attached hereto and incorporated herein by this reference as Exhibit “A.” In regard to the specific content of the proposed rate schedule, Applicant states that it includes, *inter alia*, the following:

- a. an adjustment in the amount of the monthly sewer service charge for all customers;
- b. the addition of a new charge for customer tampering with or damage to Company facilities and equipment, and
- c. authority for the Company to limit its liability in circumstances involving the interruption or failure to provide service to remedies available under Commission regulations.

In view of the amount of increased annual revenue requested, Applicant proposes to implement the requested increase in annual revenue in phases to lessen the immediate impact of same on

customers. The proposed phase-in of the requested increase in annual revenue sought by Applicant is set forth on the schedule attached hereto as Appendix 1.

SUPPORTING DOCUMENTATION

5. Applicant proposes a test year of September 1, 2018 to August 31, 2019 and has prepared certain financial statements relating to that time period in support of the Application, which statements are attached hereto and incorporated herein as Exhibit “B.” These financial statements include the following:

- a. Balance Sheet (Schedule A); and
- b. Current and pro forma income and expense statements (Schedule B);
- c. Schedule of billed revenue at current and proposed rates (Schedule C);
- d. Schedule of fixed assets and depreciation (Schedule D),
- e. Schedule of present and projected customers (Schedule E);
- f. Schedule of current and pro forma rate base (Schedule F), and
- g. Weighted Cost of Capital Calculation (Schedule G). ¹

6. Exhibit “C”, which is attached hereto and incorporated by reference herein, is the most recent approval letter from the South Carolina Department of Health and Environmental Control (“DHEC”).

7. Exhibit “D”, which is attached hereto and incorporated by reference herein, is the Company’s current customer bill form.

8. There is on file with this Commission a certificate of deposit in the amount of Three

¹ The calculations and figures shown on Schedule G to Exhibit “B” are provided for informational purposes only as Applicant will submit evidence with respect to a proper return on equity and rate base at hearing.

Hundred Fifty Thousand (\$350,000.00) Dollars given to satisfy the requirements of S.C. Code Ann. § 58-5-720 (2015). A map depicting Applicant's current service area and its most recent Annual Report are on file with the Commission.

9. Evidence of the Applicant's most recent period paid Gross Receipts report and Annual Report are attached hereto and incorporated herein by reference as Exhibit "E".

10. The financial statements, the other documents submitted herewith, and the references to documents on file with the Commission, are offered to comply with S.C. Code Regs. 103-512.4.A (2012) and 103-823 (2012) and to provide information useful to the Commission in considering the reasonableness of the proposed rate schedule.

NEED AND JUSTIFICATION FOR RATE RELIEF

11. Applicant submits that rate relief is justified for the following reasons:

a. Applicant last sought rate relief from this Commission in August 2017 based upon a test year ending March 31, 2017. Thus, it has been approximately two years and four months since rates were sought to be adjusted based on revenue, expense, and capital investment data that is approximately two years and eight months old.

b. Since Applicant's last rate case, expenses associated with the operation of the Company's system have increased by approximately \$2,512,000. Further, investments in capital improvements totaling approximately \$11.409 million have been made (or will be made prior to the hearing in this matter) by Applicant, consisting principally of underground pipeline refurbishments and upgrades, pump station upgrades and miscellaneous other capital projects. These investments,

which are exclusive of those described in the paragraph 11(c) below, are designed to increase service reliability, safety and performance.

c. Moreover, in Applicant's August 2017 case, the Commission deferred determining the ratemaking treatment to be given the sewer collection and transportation system (the "PRC System") acquired by Applicant from the City of Columbia for approximately \$18.0 million. In this Application, Applicant is seeking inclusion of approximately \$18.0 million in rate base associated with the PRC System.

d. Although Applicant seeks rate base treatment in this Application, Applicant's existing rates were determined on the operating margin method. On a pro forma basis, Applicant is currently earning an operating margin of 6.533%, which is significantly below the 15% operating margin authorized in its August 2017 rate case. See Schedule B in Exhibit "B." ²

e. Applicant submits that the proposed rate increase is necessary in order that it may provide reasonable and adequate service to its customers, recover its expenses, be permitted an opportunity to earn a reasonable return on its investment, and attract capital for future improvements.³ This rate increase is also necessary in order that the Applicant may comply with standards and regulations set by DHEC or other environmental regulatory authorities, and continue to invest in and

² Net Income (Loss) for Margin (page 2, line 37, column 4) of \$1,466,503 over Total Utility Operating Income (page 1, line 7, column 4) of \$22,446,763, yields 6.533%.

³ Applicant has notified customers of its capital improvements and increased operating expenses requiring rate relief and informed them of "town hall" meetings to be held by the Company in its authorized service area shortly after the filing of this Application.

maintain its facilities, thereby permitting Applicant to continue providing reliable and high-quality sewer services.

f. Applicant does not seek any increase in its non-recurring charges which have been previously approved by the Commission and therefore submits that cost justification of same is not required as these are currently approved, as opposed to proposed, charges. *See* S.C. Code Regs. 103-512.4.A(9)(2012). This Commission has recognized that approved non-recurring charges which are not proposed to be changed do not require separate cost justification. *Cf. Porter v. S.C. Public Service Commission*, 328 S.C. 222, 493 S.E.2d 292 (1997). Nonetheless, Applicant submits that the currently approved non-recurring charges for sewer plant impact fee (\$800.00) sewer connection (\$250.00), certified mail notification fee (\$25.00), and customer account set-up (\$20.00) are all cost justified and attaches hereto as Exhibit “F” a schedule setting forth the costs associated with same.⁴

RATE SCHEDULE MODIFICATIONS

12. Applicant requests that the Commission approve the modification of the Company’s rate schedule to add two provisions. First, Applicant proposes that it be permitted to impose a charge not to exceed \$250.00 per occurrence where a customer has tampered with or damaged the Company’s facilities or equipment as set out in paragraph 13 on Exhibit “A.” Second,

⁴ Applicant’s proposal to establish a tampering charge (as described in the paragraph 13) not to exceed \$250 does not require independent cost justification given that it seeks to pass along to a customer who damages or tampers with utility property the actual cost incurred by the utility to repair damage. This cost can only be determined on a case by case basis. This proposed charge has been approved by the Commission for at least two other jurisdictional utilities and serves a deterrent effect and benefits other customers as it shifts costs to the persons or entities causing such damage.

Applicant proposes that it be permitted to limit its liability and that of its agents and employees to customers for damages arising out of the interruption of service or the failure to furnish service to the remedies provided in S.C. Code Regs. 103-517 (2012). Applicant notes that similar rate schedule provisions have heretofore been approved by the Commission for other jurisdictional sewer utilities.

13. Applicant further requests the Commission to approve the modification of the Company's rate schedule to memorialize Applicant's existing policy for the gross-up of developer contributed assets, whether in-kind or cash. This modification will apply to all developer CIACs, including the Company's previously-approved plant impact fee. This policy was amplified in a settlement agreement between Applicant, the Office of Regulatory Staff, and certain intervenors heretofore filed in Commission Docket No. 2018-381-A. The language of this proposed rate schedule modification is consistent with language previously approved by the Commission for PUI's tax multiplier in Order No. 88-311, issued March 23, 1988, in Docket No. 96-376-S (*cf.* Order No. 2018-155 at 21, n.68, issued March 7, 2018, in Docket No. 2017-228-S) and the terms of said settlement agreement.

REQUEST FOR RATE BASE TREATMENT

14. Applicant submits that given its substantial plant investment, and specifically the rate base reflected on Schedule F of Exhibit "B" hereto, Applicant is entitled to have the reasonableness of its proposed rates determined in accordance with the rate base methodology. Therefore, Applicant requests rate base treatment in the instant proceeding.

WHEREFORE, having fully set forth its Application, Applicant prays that the Commission accept the within Application for filing, approve the adjustments to rates and charges

and the modifications to the terms and conditions of service herein, grant any waivers from Commission regulations as may be warranted, and grant to Applicant such other and further relief as the Commission may deem just and proper.

s/ John M. S. Hoefer
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Attorneys for Palmetto Utilities, Inc.

This 20th day of December, 2019
Columbia, South Carolina